

**REPORT OF EXAMINATION**

**OF THE**

**MARKET CONDUCT AFFAIRS**

**OF**

**UNION NATIONAL LIFE INSURANCE COMPANY**

**ST. LOUIS, MISSOURI**

**AS OF**

**DECEMBER 31, 2007**

**COMPANY CODE 69779**

**COMPANY ETS EXAM # LA071-M80**

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LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON, COMMISSIONER

November 14, 2008

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Honorable James J. Donelon  
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Sir:

Pursuant to your instructions and authorization, and in compliance with statutory provisions, a limited market conduct examination has been made of the affairs of

**UNION NATIONAL LIFE INSURANCE COMPANY**

**12115 Lackland Road**

**St. Louis, MO 63146**

as of December 31, 2007 and the report of examination is herewith submitted.

## ***FOREWORD***

In accordance with **LRS 22:1301** and **LRS 22:1215**, a limited market conduct examination was conducted on the activities of Union National Life Insurance Company from January 1, 2004 through December 31, 2007. The examination was performed by test and all tests applied are included in this report.

### ***PURPOSE AND SCOPE OF MARKET CONDUCT EXAMINATION***

The market conduct examination of Union National Life Insurance Company, hereinafter referred to as ("Company"), was a limited market conduct examination authorized by the Louisiana Department of Insurance ("Department"). The examination was limited, in that not all examination procedures recommended by the National Association of Insurance Commissioners (NAIC) were performed.

The examination included, but was not limited to, the following areas of the Company's operation:

- Company Overview;
- Complaints;
- Producer Licensing and Appointments;
- Marketing and Sales ;
- Underwriting and Rating;
- Claims; and
- Company's Consumer Privacy Policy.

The purpose of this examination was to review compliance by the Company with Louisiana Insurance Laws, Regulations, Directives and the NAIC Guidelines. The NAIC Guidelines set the standard of conduct for a life and health insurer and promote a program of fair

treatment of policyholders. Portions of the *Market Regulation Handbook 2007* were used as a measure of compliance.

The ACL Program, a data manipulation program provided by the Department, was utilized in this examination. Samplings were utilized to test the Company's records and procedures for statutory compliance. The ACL Program was used, when possible, to automatically generate a random sampling of data records. "Random" is a theoretical concept meaning that all items in a population or file (before selection) have an equal chance of appearing in the sampling. In instances in which ACL could not be utilized, a systematic (sequential) sampling of certain Company record listings or a manual random sampling was performed.

Generally, a random or systematic sampling size of sixty (60) records was selected for review. A minimum confidence level of ninety-five percent (95%) with a maximum error rate of five percent (5%) was used for most samples. For those instances when the sample size was increased to one hundred (100) files, the confidence level was increased to ninety-nine point seven percent (99.7%) plus or minus five percent (5%). Samples could be smaller based on the size of the population.

Some unacceptable or non-compliant practices may not have been discovered in the course of this examination. Failure to identify or criticize specific Company practices does not constitute acceptance of such practices by the Department. This report should not be construed to endorse or discredit any insurance company or insurance product. Statutory cites and regulation references are as of the period under examination unless otherwise noted.

## ***COMPANY OVERVIEW***

### ***Company History***

The Company was organized under the laws of the state of Louisiana as an industrial life insurer on June 28, 1928. Its charter was amended on December 30, 1954 authorizing the Company to write ordinary and industrial life insurance.

On October 31, 1989, United Insurance Company of America, domiciled in Illinois, acquired all of the shares of the Company.

On December 28, 2005, United paid a dividend to Unitrin, Inc. consisting of all of the issued and outstanding stock of the Company thereby making the Company a wholly owned subsidiary of Unitrin, Inc.

On August 12, 2006, the Company's office located on Goodwood Boulevard was moved to South Sherwood Forest Boulevard in Baton Rouge, Louisiana. Just prior to this location change, all remaining functions of the home office were moved to St. Louis, Missouri. Currently the South Sherwood Forest Boulevard Office provides sales assistance to its local producers.

### ***Certificate of Authority***

The Company's original Certificate of Authority was issued on February 1, 1965 in the name of Union National Life Insurance Company. The Company is authorized to act as a life, health and accident insurer in the State of Louisiana.

<u>YEAR</u>	<u>PREMIUM VOLUME*</u>
2004	\$56,550,912
2005	57,134,897
2006	57,750,047
2007	56,445,859

\*From Annual Statements-Schedule T

### ***Territory and Plan of Operation***

The Company primarily offers individual life and health insurance products to consumers marketed by employee producers who provide service to their clients in their homes. Policies sold have modest face amounts and premiums are primarily collected on a monthly basis.

The Company is licensed in the following states:

Alabama	Arkansas	Florida	Georgia
Louisiana	Mississippi	Oklahoma	Tennessee
Texas			

### ***Affiliated Companies***

The Company is a part of Unitrin's Career Agency Companies which include United Insurance Company of America and The Reliable Life Insurance Company. The Career Agency Companies employ over four thousand (4,000) employees throughout the United States.

The properly licensed and appointed producers of the above mentioned companies may also market property insurance products for the following companies:

Capitol County Mutual Fire Insurance Company  
Commonwealth Mutual Fire Insurance Company  
Old Reliable Casualty Company  
Union National Fire Insurance Company  
United Casualty Insurance Company of America

Please see the Company's annual statement for other affiliations.

### ***Antifraud Policy***

The Company has an agreement with ICS Merrill EMS Investigative Services located in Jacksonville, Florida, which assists in the detection, prosecution and prevention of fraudulent insurance acts. This agreement requires the Company to establish a Special Investigative Unit (SIU) comprised of insurer employees who receive annual training on red-flag indicators to aid in the detection of potential insurance fraud.

## **COMPLAINTS**

This review was conducted in accordance with the provisions of **LRS 22: 1214 Methods, acts, and practices which are defined herein as unfair or deceptive.** Specifically **LRS 22:1214 (17)** states as follows:

**“The following are declared to be unfair methods of competition and unfair or deceptive acts or practices in the business of insurance.”**

**“Failure to maintain adequate complaint handling procedures. Failure of any insurer to maintain a complete record of all the complaints that it received since the date of its last examination. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint. For purposes of this Paragraph, “complaint” shall mean any written communication primarily expressing a grievance received by the insurer from the Department of Insurance.”**

Upon request, the Company provided its complaint registers for the four (4) years under examination. These complaint registers appeared in compliance with **LRS 22:1214(17)**.

A judgmental sample of forty-five (45) complaints was selected for review. A review of these complaints and related correspondence indicated the Company had taken adequate steps to address the complaint which appeared in compliance with statutes, rules and regulations.

During the years 2006 and 2007, the Company did not timely respond to the Department on sixteen (16) complaints. In such situations, the Department advises an insurer of possible fines for failure to timely respond to the Department’s complaint directives as addressed in **LRS 22: 1316**. The Company was fined three (3) times for failure to comply with **LRS 22:1316**.

The Company provided written Complaint Procedures which appeared adequate for the handling of complaints and if properly followed, should insure timely responses to the Department.



## ***PRODUCER'S LICENSING AND APPOINTMENTS***

The Company provided procedures which appeared appropriate for the proper processing of producer appointments. The Company provided a CD of its active producers and terminated producers as of December 31, 2007.

ACL was utilized to select a random sample of sixty (60) active producers. These producers were matched against the Department's website of producer appointments without exception. This review indicated that the Company's producers were properly appointed during the period under examination in compliance with statutes, directives and regulations.

ACL was utilized to select a sample of sixty (60) terminated producer appointments in 2007. Producers were terminated for such causes as changing employment, retirement and other similar changes. Four (4) exceptions were detected because the Department's website still reflected that these terminated producers still had active appointments.

The Company receives an Annual Appointment Renewal Letter from the Department which states the Company should verify its renewal invoice each year for new appointments and terminations processed between January 15<sup>th</sup> and April 30<sup>th</sup> of each year. The Company did not perform the termination appointment verification which resulted in the four (4) exceptions detected in the above mentioned sample.

The Company has a written agreement with SIRCON located in Okemos, Michigan that handles the Company's producer appointments but is not responsible for annually verifying the Company's appointment renewal invoice.

It was recommended that the Company take corrective action by reviewing all terminated producer appointments for 2007 and 2008 and follow the instructions as addressed in the

Department's Annual Appointment Renewal Letter. During the course of the examination, the Company initiated corrective action.

The Company was asked to provide a list of producers terminated for cause as addressed in **LRS 22:1142** for the period under examination. The Company provided sixteen (16) terminations and a judgmental sample of five (5) were selected for review. The Company timely advised the Department of these terminations and the causes for termination in accordance with **LRS 22:1145**.

Applicants for employment, employees, and producers who are also employees, must provide a valid driver's license and copies of a social security card and birth certificate. Also, the applicant must submit to a drug test and a criminal background check. The Company hiring procedures are in compliance with the Department's **Bulletin #99-01** dated June 1, 1999 referencing "Consent for Prohibited Person to engage in Insurance Business".

### ***MARKETING AND SALES REVIEW***

The Company does not engage in any newspaper, radio, or television advertising. As a Home Service Organization, the Company relies on word of mouth referrals. The sales brochures used during the period of the examination were reviewed without exception.

The producers are required to attend training sessions regarding the Privacy Act, Standards of Conduct, Ethics and Compliance, and a Do Not Call Policy. The producers are required to secure and maintain a fire license in order to market for Union National Fire Insurance Company, an affiliate of the Company.

The Company communicates to the field force through memorandums and bulletins, with information on policies and procedures. There is also a Company intranet website that the producers can access which contains information such as Company forms, procedures and

directories, recruiting letters, and the Do-Not-Call Registry. ***THE RECORD***, a monthly magazine published by the Company, provides sales by district and recognition of producer's tenure and sales accomplishments.

The producer is provided a CN2 handheld computer which assists in the timely reporting of collected premiums, quoting and writing new business, locating existing policies in the debit, and generating letters for arrears, potential lapses, and reinstatements.

### ***UNDERWRITING REVIEW***

Although the Company stated it did not maintain underwriting procedures, the examiner requested a procedural manual for the daily processing of underwriting activities. The Company provided the Company's Rate Manual which was of little assistance for this review.

The Company provided a list of its currently used policy forms for industrial and ordinary life and A&H business. The Company also provided evidence that the Department had approved these forms. No exceptions were noted during this review.

The Company was requested to provide its new business records for the years 2004, 2005, 2006, and 2007 by CD. ACL was utilized to extract all life products for the four (4) years and generate a random sample of sixty (60) new business files for review.

According to a review of this sample, the Company's applications were completed, signed and dated by the insured with the producer's signature as witness to the application. Life applications were processed as new business in an average of five (5) days based on the sample of sixty (60). Based on the review, one (1) policy file could not be located and one (1) application was returned to the producer due to a missing signature. Other than the missing policy file, no other exceptions were noted.

The new business sample contained the following breakdown on types of business written:

TYPE OF PRODUCT	NUMBER
Whole Life	24
Graded Life	10
Limited Pay Life	02
Term Life	01
Life Paid at 65	15
20 Pay Life	08
TOTAL	60

ACL was used to extract A&H products and generate a random sample of sixty (60) A&H new business files for the four (4) year period under examination.

According to a review of this A&H sample, the Company's applications were completed, signed and dated by the insured with the producer's signature as witness to the application. A&H applications were processed as new business in an average of six (6) days based on the sample of sixty (60). Based on this review, one (1) policy file could not be located and two (2) applications were returned to the producer because of missing data on the applications. The new business sample contained fifty-three (53) cancer policies and seven (7) general accident policies. Other than the missing policy file, no other exceptions were noted.

The Company began maintaining declined applications in 2006. The Company provided a notepad document containing declined applications for 2006 and 2007. This document would not convert to ACL, so it was necessary to pull a manual systematic sampling of sixty (60): thirty (30) in 2006 and thirty (30) in 2007. A review of this sample revealed that the applications were declined due to medical reasons and the insured was notified in writing of the reason(s) for declination. No exceptions were noted during this review.

The Company was requested to provide a file of life and A&H terminated policies for the period under examination. However, the Company responded that policies are either non-renewed by the insured by non-payment of premium, or policies are cancelled by the insured through cash surrender or the death of the insured.

It is recommended that the Company implement documented underwriting procedures.

### ***CLAIMS REVIEW***

Although the Company stated it did not maintain claim procedures, the examiner requested a procedural manual for the daily processing of claims activities. The Company responded it did not have a claims manual for daily processing of claims; adjusters are given the claim documents and are expected to process benefits according to the terms of each policy.

The Company was asked to provide a CD of its 2007 claim activity and to reconcile the claims activity total with the paid claims reported on the Company's NAIC Annual Statement. The Company provided a CD of 3,853 paid claims (primarily A&H claims) and reconciled the claims totals within an immaterial difference.

Initially, the examiner utilized ACL to select a random sample of sixty (60) life paid claims. The results of the sample indicated an unusually high number of time lags for life claim payments. Time lags are defined as the number of days to process a claim from the date the claim was received until the claim liability was determined and paid by the Company. After further discussions with the Company, it was determined that some life claim payments were not the normal lump sum life claim payments, but monthly installment life claim payments which were required due to the issuance of a rider on certain life policies (UN-222340) which states as follows:

**“We will pay your designated beneficiary if you die before age 70 a monthly income as shown on the above schedule based on each month for 24 months.”**

Since the Company did not provide any claims or procedural manual, the examiner was unaware of the installment claim payments. The sample indicated that seventeen (17) claims were paid late in violation of **LRS 22:656** which states as follows:

**“All death claims arising under policies of insurance issued or delivered within this state shall be settled by the insurer within sixty days after the date of receipt of due proof of death, and if the insurer fails to do so without just cause, the amount due shall bear interest at the rate of eight percent per annum from date of receipt of due proof of death by the insurer until paid.”**

It was determined that twelve (12) of the seventeen (17) exceptions were installment payments and not considered late. The remaining five (5) had incorrect data in the date received fields and were determined not to be late claim payments. Due to the large number of installment payments, an additional sample of forty (40) life paid claims was selected for review.

Before selecting the sample of forty (40) paid life claims, the examiner asked the Company to add an identifier to the installment claim payments so that these payments could be excluded by ACL from the 2007 paid claim file before the additional sample could be selected. After exclusion of the installment payments, ACL was utilized to select a random sample of forty (40) regular life paid claims. The combined sample of hundred (100) paid life claims with the exception of the twelve (12) installment payments were regular claim payments and paid in accordance with Louisiana Statutes.

ACL was utilized to select a random sample of sixty (60) A&H paid claims. Nine (9) claims were paid late in violation of **LRS 22: 657 A** which states as follows:

**“All claims arising under the terms of health and accident contracts issued in this state, except as provided in Subsection B, shall be paid not more than thirty days from the date upon which written notice and proof of claim, in the form required by the terms of the policy, are furnished to the insurer unless just and reasonable grounds, such as would put a reasonable and prudent businessman on his guard, exist. The insurer shall make payment at least every thirty days to the assured during that part of the period of his disability covered by the policy or contract of insurance during which the insured is entitled to such payments. Failure to comply with the provisions of this Section shall subject the insurer to a penalty**

payable to the insured of double the amount of the health and accident benefits due under the terms of the policy or contract during the period of delay, together with attorney's fees to be determined by the court. Any court of competent jurisdiction in the parish where the insured lives or has his domicile, excepting a justice of the peace court, shall have jurisdiction to try such cases.”

Due to the number of violations in the sample of sixty (60), ACL was utilized to select an additional random sample of forty (40) paid A&H claims. Two (2) claims from this additional sample were paid late in violation of **LRS 22: 657 A**. After combining the additional sample of forty (40) with the original sample of sixty (60) paid claims, it was determined that eleven (11) of the total sample of one-hundred (100) or eleven percent (11%) were in violation of **LRS 22: 657 A**. By applying this percentage to the total paid claim population of 3,853, it was estimated that at least six percent (6%) ( $11\% - 5\%$ ) or 231 paid claims, or a maximum of sixteen percent (16%) ( $11\% + 5\%$ ) or 616 paid claims were in violation of the above Louisiana Statute.

As a result of the number of late A&H paid claims from the two (2) samples of one hundred (100), ACL was utilized to generate the number of late A&H claim payments from the total population of 3,853 paid claims for the year 2007. ACL compared the date the claim was stamped received against the date the claim was paid from the claim file provided by the Company, in order to generate a listing of potentially late claim payments. The listing contained 1,099 potentially late claim payments with a lag time and late interest due column for each claim number.

This listing of 1,099 potentially late claim payments was emailed to the Company on August 26, 2008. The Company was asked to review the listing, revise any incorrect “dates received” in the file, indicate the claim had been paid timely or late, and pay any interest due on the late claim payments. The Company was given until October 1, 2008 to complete this review and report to the Department the number of late claim payments, the number of claims paid timely, and the total amount of late statutory interest paid.

Prior to October 1, 2008, the Company asked for an extension until October 13, 2008 as they were having difficulty locating some of the claim files in the sample. On October 13, 2008, the Company provided a revised listing of the 1,099 potentially late A&H payments. Although it was the Department's instructions for the Company to review the listing and pay any statutory interest due on late payments, the Company stated it wanted to be sure the Department had no issues with the revised listing prepared by the Company before issuing any checks.

The examiner noted that the revised listing contained some life claim payments in the sample of 1,099 potentially late claims payments which were classified as A&H claims. This was the result of some policies containing both A&H and life benefits. After the examiner reviewed the listing, the Company was advised to issue the interest checks and notify the Department when the payments were completed. On October 22, 2008 by email, the Company advised the final interest checks were being issued that day. On October 23, 2008, the Company was provided a sample of sixty (60) late claims and asked to provide support for its findings.

The Company provided documentation which substantiated the correct received date which aided in establishing the Company's claim liability, copies of computer screens displaying the date and amount of the interest check and copies of the front of the interest check issued and/or the back if the check had cleared the bank.

The examiner determined that the documentation for the sample provided by the Company adequately established the dates of written notice and payment of the claims. Also, formulas used to calculate the lag time for payment of the claims (check payment date minus claim received date) were verified.

The Company was asked to provide the responses in increments of ten (10) to the examiner for review. On October 27, 2008, the Company faxed the first ten (10) samples to the



Department. On October 29, 2008, the examiner questioned the status of the responses. By email, the Company responded the remainder of the sample (50) would be ready and mailed on October 30, 2008. The remainder of this sample was received on November 3, 2008. The Company failed to follow the examiner's request to provide the sample in increments of ten (10).

#### SUMMARY OF SAMPLE OF SIXTY LATE PAYMENTS

CLAIM NUMBER	CHECK DATE	DATE REC'D	LAG DAYS	COMMENT
1242626	3/30/2007	6/18/2004	1015	A&H Claim Paid late
1545648	2/26/2007	2/27/2006	364	A&H Paid late corrected received date
1576998	3/13/2007	6/20/2006	266	Life Claim Paid late
1627587	9/18/2007	9/11/2006	372	A&H Paid late corrected received date
1629161	1/5/2007	8/14/2006	144	A&H Claim Paid late
1630403	1/2/2007	9/6/2006	118	A&H Claim Paid late
1645190	1/18/2007	11/3/2006	76	A&H Claim Paid late
1646932	9/5/2007	10/18/2006	322	A&H Claim Paid late
1652440	5/11/2007	10/30/2006	193	A&H Claim Paid late
1652441	5/11/2007	10/30/2006	193	A&H Claim Paid late
1654276	6/19/2007	11/14/2006	217	A&H Claim Paid late
1656277	1/23/2007	11/27/2006	57	A&H Claim Paid late
1656278	1/23/2007	11/27/2006	57	A&H Claim Paid late
1656747	1/9/2007	11/30/2006	40	A&H Claim Paid late
1659305	3/6/2007	10/30/2006	127	A&H Claim Paid late
1660739	1/19/2007	12/11/2006	39	A&H Claim Paid late
1661402	1/18/2007	12/18/2006	31	A&H Claim Paid late
1663177	4/10/2007	12/20/2006	111	A&H Claim Paid late
1664048	3/6/2007	12/4/2006	92	A&H Claim Paid late
1665788	1/24/2007	10/5/2006	111	A&H Claim Paid late
1667551	6/29/2007	5/21/2007	39	A&H Paid late corrected received date
1667551	6/29/2007	5/21/2007	39	A&H Claim Paid late
1670229	3/6/2007	12/19/2006	77	A&H Claim Paid late
1673853	4/23/2007	11/21/2006	153	Life Claim Paid late
1676229	2/19/2007	1/17/2007	33	A&H Claim Paid late
1677742	3/7/2007	2/16/2007	19	A&H Paid timely corrected received date
1681051	3/7/2007	1/26/2007	40	A&H Paid late corrected received date
1681564	4/6/2007	3/16/2007	21	A&H Paid timely corrected received date
1681625	3/2/2007	1/29/2007	32	A&H Claim Paid late
1685000	5/18/2007	2/26/2007	81	A&H Claim Paid late
1686330	4/4/2007	2/20/2007	43	A&H Claim Paid late
1689432	3/6/2007	12/19/2006	77	A&H Claim Paid late

CLAIM NUMBER	CHECK DATE	DATE REC'D	LAG DAYS	COMMENT
1689432	3/6/2007	12/19/2006	77	A&H Claim Paid late
1695856	4/17/2007	2/27/2007	49	A&H Claim Paid late
1698356	6/12/2007	3/23/2007	81	A&H Claim Paid late
1699171	9/10/2007	7/30/2007	42	A&H Paid late corrected received date
1707261	5/4/2007	2/27/2007	66	A&H Claim Paid late
1716018	7/31/2007	6/18/2007	43	A&H Paid late corrected received date
1717303	6/20/2007	5/18/2007	33	A&H Claim Paid late
1717409	6/20/2007	5/18/2007	33	A&H Claim Paid late
1722032	6/21/2007	5/7/2007	45	A&H Claim Paid late
1725388	10/17/2007	7/26/2007	83	Life paid late corrected received date
1726493	6/19/2007	4/9/2007	71	A&H Claim paid late
1727139	11/19/2007	6/12/2007	160	A&H Claim paid late
1729512	6/28/2007	5/10/2007	49	A&H paid late corrected received date
1736850	10/24/2007	6/11/2007	135	A&H Claim Paid late
1738561	10/30/2007	7/6/2007	116	A&H Claim Paid late
1742154	9/14/2007	6/25/2007	81	Life Claim Paid late
1748312	8/7/2007	6/21/2007	47	A&H Claim Paid late
1756304	10/8/2007	8/27/2007	42	A&H Claim Paid late
1756767	12/27/2007	10/31/2007	57	A&H paid late corrected received date
1758102	10/9/2007	8/29/2007	41	A&H Claim Paid late
1758798	9/11/2007	3/28/2007	167	A&H paid late corrected received date
1770872	10/11/2007	6/22/2007	111	A&H Claim Paid late
1772933	12/11/2007	9/17/2007	85	Life Claim paid late
1774699	10/23/2007	8/3/2006	446	A&H Claim Paid late
1782281	12/7/2007	11/6/2007	31	A&H Claim Paid late
1782302	12/7/2007	11/6/2007	31	A&H Claim Paid late
1785495	11/27/2007	10/2/2007	56	A&H Claim Paid late
1785516	11/27/2007	10/15/2007	43	A&H Claim Paid late

According to the above summary, two (2) A&H claims were paid timely, fifty- three (53) A&H claims were paid late and five (5) life claims were paid late. Twelve (12) of the sixty claims (60) (approximately ten percent (10%) of the sample had incorrect received dates in the claim records which were subsequently corrected by the Company.

### SUMMARY OF 1,099 POTENTIALLY LATE CLAIM PAYMENTS

NO.	DESCRIPTION
971	A&H CLAIMS REQUIRING INTEREST ON LATE PAYMENTS
39	A&H CLAIMS PREVIOUSLY LATE PAYMENTS IN WHICH INTEREST WAS PAID
27	A&H CLAIMS PAID TIMELY WITHIN THE 30 DAYS REQUIREMENT
39	LIFE CLAIMS REQUIRING INTEREST ON LATE PAYMENTS
23	LIFE CLAIMS PAID TIMELY WITHIN THE 60 DAYS REQUIREMENT
1099	TOTAL

The Company responded that \$16,685.17 had been paid in interest on the previous late claim payments and that only \$6,511.19 was due on the remaining late claims. Sixty-two (62) of the 1,099 potentially late A&H claims were life claims from combination policies.

According to the above summary, the Company had 971 A&H claims that were paid late in violation of **LRS 22: 657 A** which states as follows:

**“All claims arising under the terms of health and accident contracts issued in this state, except as provided in Subsection B, shall be paid not more than thirty days from the date upon which written notice and proof of claim, in the form required by the terms of the policy, are furnished to the insurer unless just and reasonable grounds, such as would put a reasonable and prudent businessman on his guard, exist. The insurer shall make payment at least every thirty days to the assured during that part of the period of his disability covered by the policy or contract of insurance during which the insured is entitled to such payments. Failure to comply with the provisions of this Section shall subject the insurer to a penalty payable to the insured of double the amount of the health and accident benefits due under the terms of the policy or contract during the period of delay, together with attorney's fees to be determined by the court. Any court of competent jurisdiction in the parish where the insured lives or has his domicile, excepting a justice of the peace court, shall have jurisdiction to try such cases.”**

In addition, the Company failed to abide by its contractual agreement with the insured to pay interest on these late claim payments until this examination.

Also, according to the above summary the Company had thirty nine (39) life claims that were paid late in violation of **LRS 22:656** which states as follows:

**“All death claims arising under policies of insurance issued or delivered within this state shall be settled by the insurer within sixty days after the date of receipt of due proof of death, and if the insurer fails to do so without just cause, the amount due shall bear interest at the rate of eight percent per annum from date of receipt of due proof of death by the insurer until paid.”**

In addition, the Company failed to abide by its contractual agreement with the insured to pay interest on these late claim payments until this examination.

Due to the amount of time consumed in completing the claim reviews, the examiner asked for a smaller sample of denied claims. ACL was used to select a random sample of thirty (30) A&H denied claims and thirty (30) life denied claims. The Company provided supporting claim documentation on the denied life claim and A&H claim sample. No exceptions were noted during this review.

Five (5) claim payments for 2007 were randomly selected and the Company was asked to provide copies of canceled checks (front and back) for review. The issue dates of the sampled checks were 02/09/2007, 07/19/2007, 07/31/2007, 09/10/2007 and 11/27/2007. The checks issued dates from this sample agreed with the issued dates reflected on the claim file provided by the Company. According to the canceled checks these five (5) checks were cashed in an average of ten (10) days.

It is recommended that the Company implement claim procedures to ensure that claims are paid timely according to policy provisions and Louisiana Statutes. For future examinations, the Company should have a description of the internal claims processing system to aid the examination process in understanding and expediting the claim reviews.

It is recommended that the Company implement an identifier to the installment life claim payments so that these payments can be identified.

The Company's claim file contained a field titled "proof date" which was not always used in the 2007 activity. The received date in this field was to represent the last document

received which established the Company's liability for the claim. It is recommended that the Company utilize this field in order to have an accurate record of claim time lag for future claim audits and examinations.

### ***CONSUMER PRIVACY POLICY***

The Company has policies and procedures established to protect the security and confidentiality of its customers' personal financial information. Annual notices are provided to its customers of the Company's privacy policies and practices which are in compliance with the Louisiana Department of Insurance **Regulation 76 / *PRIVACY OF CONSUMER FINANCIAL INFORMATION***.

## **COMMENTS AND RECOMMENDATIONS**

Various non-compliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the State's insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

### **UNDERWRITING REVIEW**

It is recommended that the Company implement documented underwriting procedures.

### **CLAIMS REVIEW**

It is recommended that the Company implement claim procedures to ensure that claims are paid timely according to policy provisions and Louisiana Statutes. It is recommended that the Company implement an identifier to the installment life claim payments so that these payments can be identified.

The Company's claim file contained a field titled "proof date" which was not always used in the 2007 activity. The received date in this field was to represent the last document received which established the Company's liability for the claim. It is recommended that the Company utilize this field in order to have an accurate record of claim time lag for future claim audits and examinations.

The sample of 1,099 potentially late claim payments revealed that the Company had failed to pay interest on 971 late paid A&H claims and 39 late paid life claims. The interest for those claims totaled \$6,511.19. Failure to pay interest on A&H late paid claims resulted in 971 violations of **LRS 22:657 A**. Failure to pay interest on life late paid claims resulted in 39

violations of **LRS 22:656**. In addition, the Company failed to pay interest on the late payments to insureds according to the policy contracts.

It is recommended that the Company always include interest on late claims payments in accordance with Louisiana Statutes and the insurer policy contract.

## **CONCLUSION**

I, Richard A. Spong, do solemnly swear and affirm that I am an examiner for the Commissioner of Insurance of the State of Louisiana, and that as such, I was assigned to conduct an examination of the market conduct activities of

**UNION NATIONAL LIFE INSURANCE COMPANY  
ST. LOUIS, MISSOURI**

That I made such examination and the above and foregoing is a true and correct copy of my report of such Company and the same is true and correct to the best of my knowledge, information and belief.

Donald P. Ewing, CISA, MS, also participated in this examination.

Respectfully submitted,

  
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**Richard A. Spong, CIE, CFE**  
Louisiana Department of Insurance